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TANGEN CLASS. [] CHANNOTO: TS & P CAN ALL WERSON DISPATCH NO 25X1A6c CLASSIFICATION DATE TO AITH FROM 25X15X6a Document No. SUBJECT GENERAL Administrative SPECIFIC Pinencial Property Assembti Next Review Auth.: Date 1. During my recent trip to the FE area, field officials expressed great concern over the workless imposed by Finencial Preperty Accounting and the unsuccessful machine operation of that system. I think we agree that financial ascountability for preparty, as Trinciple, to Ameet, representing one of the most imperious features in Management improvement. Our point of present difficulty is the method or pre edure by which that principle 25X1A2d1 teday comest fraction on a cash accounting system vill be accomplished. as it has in the past, but has accepted as a policy the surrest day connercial principles of accrual accounting. That is ment in each is becoming less of 25X1A2d1 a management tool, both in business and than a system of accrued costs. With the large inventories how on band, pomby to not our only eases to spend. Of course, since the major, and, in m et incinces, the sole source of income is appropriatione, we must/retain a bulgetary system of allotments and expenditures too, but integrated in an sectual accounting aimed at unute. Legislation has been empeted directing that as soom as practicable every agency develop an accrual accounting agreem, which would include adequate monetary property accounting records as an integral part of the system, with a view toward cost-based/budgets. Assential to accrual accounting and cost-based budgets is an appropriate pethod for recording property transactions in the financial accounting records, 2. With financial ecountability for property as a principle here to stay, we must develop adequate procedures to accomplish that principle. 25X1A existing precedure prescribed in the property is time consuming but it provides the field chief effective management tools for inventory control and costs. Coupled with Property Authorization Control or its equivalent he would have a device to review total charges of an operation against those planted and approved. Allotment charges may represent only a small segment (Releasing officer) (Coordinating officer) 78-4718 B456 Fall 51-29

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Acting Comptraller and the Director of Legistics, and technical experts of their offices. In addition, was here to participate and expended his problems and ideas. The first conclusion reached was that no system to accomplish financial property accounting can be deviced that does

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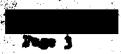
- a. The preparty categories to be eliminated from application of Finnseial Property Accounting Procedures as get forth in paragraph 2n(1) of the summary will be inegreered under paragraph 3, Chapter I, of the bandbook.
- b. The emspears account provided for in Sa(3) of the summery is not provided for in your deaft of the seviced hondrook.
- s. The previous for elimination of the materiel in transit as provided for in paragraph 2m(5) of the summary has not been incorporated in your draft of the handbook.
- d. The previsions in the revised handbook, page 29, chapter VI, paragraph 2m.(6) for a report of isomence to property in use vill be deleted from the handbook incoment as it has been determined that the requirement for submitting such a report abould be deferred at least for the present.
- 4. In order to permit immediate benefits in your area from the simplifications enumerated in the summary, the Station is authorized to implement any or all of the changes referred to at this time. A separate disputch is being forwarded to the Station from the Acting Comparabler relative to the climination of the mouthly Schedule E-1 "Oneh Disbursements for Property Acquisitions".

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5. The Station is authorized to inglement day or all of the changes noted above. Home of as assent the newtood IPA and property extherization control procedures on the ultimate, either as to simplification or as the most effective management test. The ideal is to continuing as a single procedure the requirements for controlling each allected to projects and activities as well as the authority to utilize property recommend from inventories. We desire to control uses of Agency resources (as differentiated from expenditures) in a single account — call it alletment, allegation or limitation. With our present assual appropriation authority to cannot now to that because we connot give an allecation to a project for easey and expelies and at the same time give, an allecation to latinfies for procurement of the required supply items.

Project X is approved for (180.00 (it is anticipated that 170.00 is required for calculate and \$30.00 for amplies). We now allest to the project \$70.00, to legistics \$50.00. He cannot allest \$100.00 to the project and also \$30.00 to legistics became that would amount appropriation actionity. On the etherhand, if every procurement action is charged directly to the project there would be no provision for stockpiles, long lead times, etc. If, becover, we had a separate fund (such as the second stand) for maintenance of an enganisation stock level, we could allocate to the project the entire \$100.00 and the project would "bay" from legistics the supplies, based on issues to the project, thus resorting the costs in the project allocation second, and reinberging legistics to replenish its inventory. Through the allocation account of \$100.00 the Station would have a record of all costs, meany and property, in a single account against a single allocation, and it would be a more effective control device than the present allocated account addition the present allocation account account account account addition the present allocation account a

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We do not intend to implement the Property Anthonian Soutrol precedure this fiscal year but will try to get appropriate authority for a "stock fund" effective for FT 1998 and then implement a single integrated system of accounts. We could not, however, hope to get a stock fund without having in operation some system of financial accountability for property which would support in our records the value of our investories and the distribution of capta.

6. Regardless of the system, esquisition and issue of decements for supply transactions must flow through a Finance Officer, with the recultant additional verk. If, however, with the recultant additional lease rooms, as implied in the reference, then FFA is not appropriate to the Bases and, in turn, accommodility has no place in the Bases probably faheald be "detached

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should be "detached Stations" with accountebility at headquarters, christing the need for FMA which must follow administility: 30 is my desired objective to establish Financial Property Accounting viers property accountability is unintelling prompted and only them, will be have an augustability be the notes that the property accounts with the property of the property o to the owner Clause A Station se of seasts and seats, notvithetending that at some posts the office personnel to be neve beneficial to handenesteen the

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- 7. I was that you consider those principles in the light of our ultimate objectives and bear with up while we are expensive andneworing to provide, through financial accounts, the regular which I bullers to be one of our nest important stops forward in financial management begrovement.
- 8. I believe it will be untually adventage financial management improvement program to be a round table discussion of our progress and the moins by which it can be accomplished with a minimum additional workland to the field. Please advise so by cable of your consurrance and the introvery for the Mile-

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ATTACHMENT

(Releasing Olliger)

(Coordinating Officer)

(Authenticating Officer)

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